

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

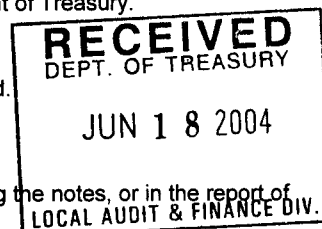
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name arbela township	County tuscola
Audit Date 3/31/04	Opinion Date 5/11/04	Date Accountant Report Submitted to State: 6/16/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

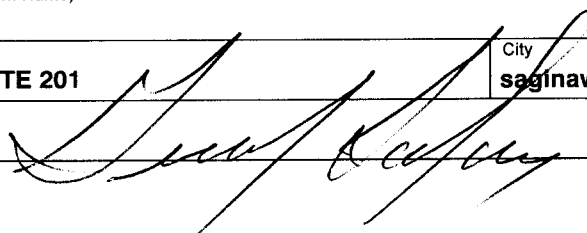


You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) rehmann robson			
Street Address 5800 GRATIOT, SUITE 201		City saginaw	State mi
Accountant Signature 		ZIP 48605	Date 6/13/04

ARBELA TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

May 11, 2004

To the Township Board
Arbela Township
Millington, Michigan

We have audited the accompanying general purpose financial statements of **Arbela Township** as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of **Arbela Township** as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2004 on our consideration of **Arbela Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Arbela Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Rehmann Johnson

GENERAL PURPOSE FINANCIAL STATEMENTS

ARBELA TOWNSHIP

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

ASSETS	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Trust and Agency
Cash and cash equivalents	\$ 168,959	\$ 401,912	\$ 7,193
Accounts receivable	32,701	1,559	-
Taxes receivable	15,459	39,076	-
Due from other funds	660	-	-
Advance to Fire fund	13,182	-	-
Prepaid expenditures	18,839	-	-
Property and equipment	-	-	-
Total assets	<u>\$ 249,800</u>	<u>\$ 442,547</u>	<u>\$ 7,193</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 1,713	\$ 27,457	\$ -
Due to other funds	-	-	660
Advance from General fund	-	13,182	-
Undistributed deposits	-	-	6,533
Total liabilities	<u>1,713</u>	<u>40,639</u>	<u>7,193</u>
Fund equity			
Investment in general fixed assets	-	-	-
Fund balance:			
Reserved for prepaid expenditures	18,839	-	-
Unreserved -			
Designated for subsequent years' expenditures	90,986	20,000	-
Undesignated	138,262	381,908	-
Total fund equity	<u>248,087</u>	<u>401,908</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 249,800</u>	<u>\$ 442,547</u>	<u>\$ 7,193</u>

The accompanying notes are an integral part of these financial statements.

Account Group		Total (Memorandum Only)
General Fixed Assets		
\$ -	\$ 578,064	
-	34,260	
-	54,535	
-	660	
-	13,182	
-	18,839	
880,501	880,501	
<u>\$ 880,501</u>	<u>\$ 1,580,041</u>	
\$ -	\$ 29,170	
-	660	
-	13,182	
-	6,533	
-	49,545	
880,501	880,501	
-	18,839	
-	110,986	
-	520,170	
880,501	1,530,496	
<u>\$ 880,501</u>	<u>\$ 1,580,041</u>	

ARBELA TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Revenues			
Taxes	\$ 133,549	\$ 298,866	\$ 432,415
Licenses and permits	1,420	18,703	20,123
Intergovernmental	257,381	-	257,381
Charges for services	16,633	-	16,633
Interest and rental income	24,471	1,831	26,302
Other revenue	7,834	1,792	9,626
Total revenues	<u>441,288</u>	<u>321,192</u>	<u>762,480</u>
Expenditures			
Current:			
General government	192,283	-	192,283
Public safety	4,201	124,252	128,453
Public works	312,396	130,941	443,337
Recreation and culture	13,714	-	13,714
Other expenditures	34,339	-	34,339
Capital outlay	7,682	4,290	11,972
Total expenditures	<u>564,615</u>	<u>259,483</u>	<u>824,098</u>
Revenues over (under) expenditures	(123,327)	61,709	(61,618)
Fund balances, beginning of year	<u>371,414</u>	<u>340,199</u>	<u>711,613</u>
Fund balances, end of year	<u><u>\$ 248,087</u></u>	<u><u>\$ 401,908</u></u>	<u><u>\$ 649,995</u></u>

The accompanying notes are an integral part of these financial statements.

ARBELA TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - AMENDED BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 123,661	\$ 133,549	\$ 9,888
Licenses and permits	125	1,420	1,295
Intergovernmental:			
State shared revenues	250,000	257,381	7,381
Charges for services	7,750	16,633	8,883
Interest and rental income	36,350	24,471	(11,879)
Other revenue	3,000	7,834	4,834
Total revenues	<u>420,886</u>	<u>441,288</u>	<u>20,402</u>
Expenditures			
Current:			
General government	226,977	192,283	34,694
Public safety	8,875	4,201	4,674
Public works	288,043	312,396	(24,353)
Recreation and culture	29,600	13,714	15,886
Other expenditures	34,900	34,339	561
Capital outlay	54,520	7,682	46,838
Total expenditures	<u>642,915</u>	<u>564,615</u>	<u>78,300</u>
Revenues over (under) expenditures	(222,029)	(123,327)	98,702
Fund balances, beginning of year	<u>371,414</u>	<u>371,414</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 149,385</u></u>	<u><u>\$ 248,087</u></u>	<u><u>\$ 98,702</u></u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds		
Amended Budet	Actual	Variance Favorable (Unfavorable)
\$ 292,200	\$ 298,866	\$ 6,666
23,841	18,703	(5,138)
-	-	-
-	-	-
2,715	1,831	(884)
2,400	1,792	(608)
321,156	321,192	36
-	-	-
179,056	124,252	54,804
143,200	130,941	12,259
-	-	-
-	-	-
28,900	4,290	24,610
351,156	259,483	91,673
(30,000)	61,709	91,709
340,199	340,199	-
<u>\$ 310,199</u>	<u>\$ 401,908</u>	<u>\$ 91,709</u>

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

Arbela Township (the "Township") is a municipal corporation governed by an elected Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its financial relationship with the Township.

Blended Component Unit

The Building Authority is governed by a board appointed by the board of the Township. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to acquire and finance property for the use of the Township.

JOINT OPERATIONS

Arbela Township participates in a joint fire services board with Millington Township. Records are maintained and funds are held by Millington Township. Arbela Township pays 40% of the fire board expenses plus a flat fee for fire runs in Arbela Township. Total Arbela Township contributions for the year ended March 31, 2004 were \$35,186.

BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the following funds and account group.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUNDS

Trust and Agency Funds

The Township maintains two trust and agency fund types. The General Agency Fund is used to account for assets held in trust or as an agent for others. The Current Tax Collection Fund accounts for the collection and disbursement of the current year's tax levy.

ACCOUNT GROUP

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all fixed assets of the Township.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is generally recognized when due.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by function for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Arbela Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits in checking and saving accounts.

RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets recorded in the general fixed assets account group are not depreciated.

FUND EQUITY

Designations of unreserved fund equity in governmental funds indicate the Township's tentative plans for use of financial resources in a future period. Reserved fund equity represents amounts legally identified for specific purposes.

PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before March 1. Real property taxes not collected as of March 1 are turned over to Tuscola County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. Property taxes are recognized as revenue in the fiscal year in which they are levied.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The taxable value of real and personal property located in the Township at December 1, 2003, totaled \$55,527,264, which equals the State equalized value. The tax levy rates for general operating purposes, roads and police for that year were 1.4314 mills, .9445 mills, and 2.0000 mills, respectively.

ACCUMULATED UNPAID SICK AND VACATION TIME

No accrual has been made for unpaid sick and vacation time since the amount is immaterial to the financial statements of the Township.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2004, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
GENERAL FUND:			
General Government			
Cemetery	\$ 29,833	\$ 32,983	\$ 3,150
Public Works			
Highways, streets and drains	288,043	312,396	24,353
Other Expenditures			
Insurance	15,000	15,015	15

3. DEPOSITS AND INVESTMENTS

Cash received by the Township is deposited in various bank accounts, which in the aggregate represent the cash and cash equivalents reflected in the combined balance sheet. Substantially all cash is maintained in checking accounts and savings accounts.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

At year end, the carrying amount of the Township's deposits in money market, savings and checking accounts was \$578,064 and the bank balance was \$647,311. Of the bank balance, \$164,808 was covered by federal depository insurance leaving \$482,503 uninsured.

These deposits are in one financial institution in varying amounts. The Township Treasurer maintains records of all deposits. These records show the name of the depository, amount of deposit and rate of return.

Investments

The Township is authorized by state statutes to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

ARBELA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

4. CHANGES IN GENERAL FIXED ASSETS

Changes in general fixed assets are summarized as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and improvements	\$ 48,589	\$ -	\$ -	\$ 48,589
Buildings and contents	427,628	625	(179)	428,074
Equipment	<u>403,476</u>	<u>4,880</u>	<u>(4,518)</u>	<u>403,838</u>
Total	<u>\$ 879,693</u>	<u>\$ 5,505</u>	<u>\$ (4,697)</u>	<u>\$ 880,501</u>

5. DEFINED CONTRIBUTION BENEFIT PLAN

The Township contributes to the Arbela Township Allocated Retirement Account, which is a defined contribution pension plan. The plan is administered by Manulife Financial.

Contributions made by an employee vest immediately and contributions made by the Township vest after one month of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 10% of the employee's annual compensation and the employee is required to contribute 5% of their annual compensation. Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the Plan year, the Township's required and actual contributions amounted to \$7,900 which was 10.0% of its covered payroll. Employees contributed \$3,950 to the Plan, which was 5.0% of covered payroll. Presently, six employees participate in the Plan.

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at March 31, 2004 are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	<u>\$ 660</u>	Trust & Agency – Tax Collection	<u>\$ 660</u>

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ARBELA TOWNSHIP

GENERAL FUND BALANCE SHEET

MARCH 31, 2004

ASSETS

Cash and cash equivalents	\$ 168,959
Accounts receivable	32,701
Taxes receivable	15,459
Due from other funds	660
Prepaid expenditures	18,839
Advance to Fire fund	<u>13,182</u>
Total assets	<u><u>\$ 249,800</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$ 1,713</u>
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FUND BALANCE

Reserved for prepaid expenditures	18,839
Unreserved:	
Designated for subsequent years expenditures	90,986
Unreserved, undesignated	<u>138,262</u>

Total fund balance	<u>248,087</u>
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Total liabilities and fund balance	<u><u>\$ 249,800</u></u>
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ARBELA TOWNSHIP

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 122,661	\$ 132,570	\$ 9,909
Delinquent taxes and interest	1,000	979	(21)
Total taxes	123,661	133,549	9,888
LICENSES AND PERMITS			
Building permits	25	25	-
Metro Authority permits	-	1,295	1,295
Other licenses and permits	100	100	-
Total licenses and permits	125	1,420	1,295
STATE SHARED REVENUE	250,000	257,381	7,381
CHARGES FOR SERVICES			
Cemetery	1,650	3,520	1,870
Other charges for services	6,100	13,113	7,013
Total charges for services	7,750	16,633	8,883
INTEREST AND RENTAL INCOME	36,350	24,471	(11,879)
OTHER REVENUE			
Reimbursements	3,000	7,834	4,834
Total revenues	420,886	441,288	20,402
Total expenditures	642,915	564,615	78,300
Revenues over (under) expenditures	(222,029)	(123,327)	98,702
Fund balance, beginning of year	371,414	371,414	-
Fund balance, end of year	\$ 149,385	\$ 248,087	\$ 98,702

ARBELA TOWNSHIP

GENERAL FUND SCHEDULE OF EXPENDITURES - AMENDED BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT			
Township Board	\$ 39,442	\$ 26,470	\$ 12,972
Township Supervisor	14,314	10,268	4,046
Elections	1,760	1,426	334
Assessor	21,449	15,180	6,269
Clerk	22,185	21,394	791
Board of Review	1,430	612	818
Treasurer	24,586	24,378	208
Cemetery	29,833	32,983	(3,150)
Township Hall	71,978	59,572	12,406
Total general government	<u>226,977</u>	<u>192,283</u>	<u>34,694</u>
PUBLIC SAFETY			
Fire	375	200	175
Planning commission	8,500	4,001	4,499
Total public safety	<u>8,875</u>	<u>4,201</u>	<u>4,674</u>
PUBLIC WORKS			
Highways, streets and drains	<u>288,043</u>	<u>312,396</u>	<u>(24,353)</u>
RECREATION AND CULTURE	<u>29,600</u>	<u>13,714</u>	<u>15,886</u>
OTHER EXPENDITURES			
Employee benefits	19,900	19,324	576
Insurance	15,000	15,015	(15)
Total other expenditures	<u>34,900</u>	<u>34,339</u>	<u>561</u>
CAPITAL OUTLAY	<u>54,520</u>	<u>7,682</u>	<u>46,838</u>
Total expenditures	<u>\$ 642,915</u>	<u>\$ 564,615</u>	<u>\$ 78,300</u>

ARBELA TOWNSHIP

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

MARCH 31, 2004

ASSETS	<u>Garbage</u>	<u>Building Department</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Cash and cash equivalents	\$ 169,275	\$ 1,871	\$ 164,097	\$ 66,669	\$ 401,912
Accounts receivable	31	1,183	30	315	1,559
Taxes receivable	<u>19,502</u>	<u>-</u>	<u>12,774</u>	<u>6,800</u>	<u>39,076</u>
Total assets	<u>\$ 188,808</u>	<u>\$ 3,054</u>	<u>\$ 176,901</u>	<u>\$ 73,784</u>	<u>\$ 442,547</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 11,163	\$ 1,199	\$ 4,589	\$ 10,506	\$ 27,457
Avance from General fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,182</u>	<u>13,182</u>
Total liabilities	<u>11,163</u>	<u>1,199</u>	<u>4,589</u>	<u>23,688</u>	<u>40,639</u>
FUND BALANCE					
Unreserved:					
Designated for subsequent years expenditures	-	-	20,000	-	20,000
Undesignated	<u>177,645</u>	<u>1,855</u>	<u>152,312</u>	<u>50,096</u>	<u>381,908</u>
Total fund balance	<u>177,645</u>	<u>1,855</u>	<u>172,312</u>	<u>50,096</u>	<u>401,908</u>
Total liabilities and fund balance	<u>\$ 188,808</u>	<u>\$ 3,054</u>	<u>\$ 176,901</u>	<u>\$ 73,784</u>	<u>\$ 442,547</u>

ARBELA TOWNSHIP

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Garbage</u>	<u>Building Department</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
REVENUES					
Taxes	\$ 142,272	\$ -	\$ 107,274	\$ 49,320	\$ 298,866
Licenses and permits	-	18,703	-	-	18,703
Interest	764	10	705	352	1,831
Other revenue	-	-	1,446	346	1,792
Total revenues	<u>143,036</u>	<u>18,713</u>	<u>109,425</u>	<u>50,018</u>	<u>321,192</u>
EXPENDITURES					
Current:					
Public safety	-	18,515	68,868	36,869	124,252
Public works	130,941	-	-	-	130,941
Capital outlay	-	-	4,290	-	4,290
Total expenditures	<u>130,941</u>	<u>18,515</u>	<u>73,158</u>	<u>36,869</u>	<u>259,483</u>
Revenues over expenditures	12,095	198	36,267	13,149	61,709
Fund balances, beginning of year	<u>165,550</u>	<u>1,657</u>	<u>136,045</u>	<u>36,947</u>	<u>340,199</u>
Fund balances, end of year	<u>\$ 177,645</u>	<u>\$ 1,855</u>	<u>\$ 172,312</u>	<u>\$ 50,096</u>	<u>\$ 401,908</u>

ARBELA TOWNSHIP

FIDUCIARY FUNDS COMBINING BALANCE SHEET

MARCH 31, 2004

ASSETS	Agency Funds		Total
	General Agency	Current Tax Collection	
Cash and cash equivalents	<u>\$ 5,690</u>	<u>\$ 1,503</u>	<u>\$ 7,193</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Undistributed deposits	\$ 5,690	\$ 843	\$ 6,533
Due to other funds	<u>-</u>	<u>660</u>	<u>660</u>
Total liabilities	<u>\$ 5,690</u>	<u>\$ 1,503</u>	<u>\$ 7,193</u>

ARBELA TOWNSHIP

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
GENERAL AGENCY FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 6,565</u>	<u>\$ 6,631</u>	<u>\$ 7,506</u>	<u>\$ 5,690</u>
LIABILITIES				
Undistributed deposits	<u>\$ 6,565</u>	<u>\$ 6,631</u>	<u>\$ 7,506</u>	<u>\$ 5,690</u>
CURRENT TAX COLLECTION FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 1,145</u>	<u>\$ 1,565,510</u>	<u>\$ 1,565,152</u>	<u>\$ 1,503</u>
LIABILITIES				
Undistributed deposits	<u>\$ -</u>	<u>\$ 1,188,500</u>	<u>\$ 1,187,657</u>	<u>\$ 843</u>
Due to other funds	<u>1,145</u>	<u>377,010</u>	<u>377,495</u>	<u>660</u>
TOTAL LIABILITIES	<u>\$ 1,145</u>	<u>\$ 1,565,510</u>	<u>\$ 1,565,152</u>	<u>\$ 1,503</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	<u>\$ 7,710</u>	<u>\$ 1,572,141</u>	<u>\$ 1,572,658</u>	<u>\$ 7,193</u>
LIABILITIES				
Undistributed deposits	<u>\$ 6,565</u>	<u>\$ 1,195,131</u>	<u>\$ 1,195,163</u>	<u>\$ 6,533</u>
Due to other funds	<u>1,145</u>	<u>377,010</u>	<u>377,495</u>	<u>660</u>
TOTAL LIABILITIES	<u>\$ 7,710</u>	<u>\$ 1,572,141</u>	<u>\$ 1,572,658</u>	<u>\$ 7,193</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

May 11, 2004

To the Township Board
Arbela Township
Millington, Michigan

We have audited the general purpose financial statements of ***Arbela Township***, as of and for the year ended March 31, 2004, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether ***Arbela Township's*** general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***Arbela Township's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect ***Arbela Township's*** ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is as follows:

As is common with Townships of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of management, others within the organization, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.